

Touchstar plc (formerly Belgravium  
Technologies plc)  
Annual report and financial statements  
for the year ended 31 December 2016

# **Touchstar plc (formerly Belgravium Technologies plc)**

## **Annual report and financial statements for the year ended 31 December 2016**

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# **Touchstar plc (formerly Belgravium Technologies plc)**

## **Chairman's statement for the year ended 31 December 2016**

I have thought long and hard about the opening line of this year's results statement. I always intend to write in an honest and clear manner to ensure shareholders get a fair account and perception of the Group, its prospects and potential. I must balance my positive view on how far we have travelled to rebuild and reposition the Group with the reality that although the financial performance was very favourable in comparison with the prior year ultimately it didn't quite meet the expectations we had of ourselves.

I had indicated that as we went through a period of radical and substantive change there could be "bumps in the road" and indeed two key factors had a negative impact upon last year's results. One issue was due to a customer entering administration owing us £57,000. The second was the slippage of expected orders into 2017, even though customer budget approval had been in 2016. Although the short term financial performance was not helped by these two issues the Group increased its profitability over the previous year and there were many positive developments that occurred last year which are shaping the Touchstar of the future.

We have made a considerable investment in research and development, (after a period of underinvestment), and this is starting to come to fruition, with the new products moving from concept to customers.

In the final quarter of 2016 we supplied our first complete cloud based Back Office and Point of Sale System into the airline sector – a major product development that enables us as a business to own, supply and support the complete retail sales system. This provides us with a powerful sales proposition to the market as well as increasing our sales and recurring revenue line.

We also completed the development of a cloud based software package for the Transport and Distribution market during the year, so as to further build on our own strengths and reduce reliance on 3<sup>rd</sup> party suppliers. Again, this product offers a complete solution for the planning of vehicles, drivers and product delivery to our clients' customers. It has been well received, with an increased acceptance partly attributable to the pricing model being SaaS (software as a service), with a minimal set up charge followed by monthly payment on a per vehicle basis.

Corporately, in July 2016, we announced the completion of the capital reorganisation and consolidation of the Group giving a more coherent financial structure (note 25 for details). The Group also moved to one accounting and one operating platform which is giving us better, more timely information, and enabling us to operate more efficiently. I believe it will also be an enabler of future growth.

2016 also saw us reposition the Touchstar marketing proposition where all divisions adopted a consistent brand theme now trading under the Touchstar name. We now not only have a new name but also a new energy and purpose.

# **Touchstar plc (formerly Belgravium Technologies plc)**

## **Chairman's statement for the year ended 31 December 2016 (continued)**

### **Financial results**

Even though revenue in 2016 was lower than in the prior year, the greatly improved margins ensured that profitability was substantially enhanced.

Revenue for the year ended 31 December 2016 was £7,624,000 (2015: £8,676,000) a decline of 12% as we phased out older product. Gross margins rose to 53.8% (2015: 47.6%) driven by support contracts and recurring revenues making up a larger percentage of our total revenue than in prior years.

Operating profit before exceptional items and goodwill impairment almost doubled to £223,000 (2015: £107,000). More pleasingly after-tax profits rose to £475,000 (2015: loss £6,339,000). Taxation continued to be a positive as a result of our continued investment into research and development activities.

The substantial investment we made in research and development, which increased to £1,026,000 (2015: £749,200), meant that the Company had a small level of net borrowing at the year-end of £329,000 (2015: cash balance of £242,000). With a continued tight focus on cash management and cash generation within the business, this should move closer to a surplus position by the end of 2017. As reported last year we have an overdraft facility with Barclays Bank plc of £1m.

Basic earnings per share increased substantially to 7.53p (2015: (6.28)p post capital reorganisation).

### **Strategy**

We are following a simple strategy, to use the disruption and confusion in what is a fast-changing world for mobile technology to our advantage. We work closely with our customers to produce software, services and hardware that are relevant to them. I have always been impressed with the quality of our client base and the level of faith and high regard our product and services have – a key element of our strategy is to build on this trust as we introduce new and additional product and services. I believe that Touchstar has the opportunity to grow organically by building upon the foundation we now have in place, continually striving to improve our users' experience and using this reputation to add new customers.

### **Outlook for 2017**

After the usual slow start to the year, the last few weeks have seen some exciting forward steps being taken. Touchstar On Board has seen their new cloud based back office system being ordered by two airlines. The package incorporates stock and pricing management for the customer and is fully integrated to the mobile devices on the aircraft, together with the Chip and Pin technology necessary for payment. Touchstar Access Control has also secured a significant contract for two Access Control Systems within UK government departments, and another system sale within the defence arena.

Later during 2017, we will see the launch of a rugged tablet device for the in vehicle and logistics market, operating with a faster processor than is currently available and using the latest Android operating system. We will continue to spend and invest in development and will enhance our portfolio of the logistics products ready for more launches in 2018.

## **Touchstar plc (formerly Belgravium Technologies plc)**

### **Chairman's statement for the year ended 31 December 2016 (continued)**

I cannot guarantee that there will be no more "bumps in the road", precise prediction in such a fast-moving environment is extremely difficult. However, at the very least we have demonstrated the resilience of the business to absorb the odd shock. I am comfortable with the current market expectations on the Company.

#### **People**

Although I have spoken at length about the financial performance, products and services, it is the people I work with at Touchstar that make the difference – it is their dedication, talent and incredible emphasis on the customer that make this business work. This will define whether we are successful in the future – their commitment to build a Group we are all proud of is something one cannot purchase.

#### **Conclusion**

I remain enthusiastic and believe we could be building something special within the business. Life is not easy, we have to work hard to retain our customers and fight hard to win new clients – that is not going to change – we are however on our way and have a real confidence in what we are trying to achieve.

A handwritten signature in black ink, appearing to read 'I P Martin', with a large, stylized loop at the top and a horizontal line extending to the right.

**I P Martin**  
**Executive Chairman**  
**11 April 2017**

# **Touchstar plc (formerly Belgravium Technologies plc)**

## **Strategic report for the year ended 31 December 2016**

### **Business review and principal activities**

The Group designs, installs and maintains software applications and hardware solutions for mobile applications in the airline, rail, retail and logistics industries. A major part of our strategy is to provide complete operational solutions as this provides a continuing long-term relationship with the customer and repeat revenues through software licences and managed service support agreements.

During 2016, following some significant reorganisation in the previous year, the Group focussed efforts on product development and strengthening the marketing and sales profile of the business. These activities are ongoing and will strengthen the business further over the coming years.

The ability to offer a total solution allows cost justification to be more readily achieved, with a strategic development objective of reducing our reliance on third party organisations.

Although a competitive industry, our extensive experience and knowledge of the markets allows us to operate successfully and we continue to secure large contracts with blue chip companies across Europe.

Pricing pressure is often evident on certain parts of our solution, primarily around hardware offerings. During 2016 we saw the introduction of our latest hardware where we reduced cost of product manufacture by as much as 25%. Although some of this advantage has been eroded by the significant decrease in the value of sterling, it has allowed us to remain competitive and sales in the Logistics market in 2016 improved its performance over 2015.

In all solutions, the Group continue to offer a fully managed support service contract to the client. This alleviates the need for the client to resource the management of the system as we offer real cost benefit due to the economies of scale enjoyed by supporting multiple systems across the user base.

The Group now operates under the Touchstar brand (changing the ultimate parent name from Belgravium Technologies plc to Touchstar plc during 2016) to provide further brand awareness of the operating companies which has been successful in promoting a cohesive and singular business and all can be accessed under one web site: [www.touchstar.co.uk](http://www.touchstar.co.uk).

### **Business environment**

The Group's operations are focused on the industrial and retail environment: logistics, transport distribution, secure access control and mobile point of sale. Although servicing different customers, the nature of the products, services and channels to market are comparable and hence the directors regard the Group as operating in one primary segment, where the risks and returns are similar.

Air travel is a competitive market and as carriers, on a worldwide basis, are acutely aware that profit improvement is achievable through high margin inflight sales, the Group's offering of approved hardware with back office and application software allows sophisticated sales and marketing strategies to be used to maximise revenue and minimise waste.

In the Warehouse and Logistics market, the Group provides mobile computing solutions for warehouse operations for both truck-mounted and hand-held applications. These solutions communicate using wireless technology and provide real time data. This technology improves supply chain management and significantly reduces warehouse operating costs.

# **Touchstar plc (formerly Belgravium Technologies plc)**

## **Strategic report for the year ended 31 December 2016 (continued)**

### **Business environment (continued)**

In the Transport and Logistics market, the Group supports a significant number of vehicle fleet operators on a worldwide basis with its sophisticated software and hardware designed to optimise the cost of delivery and improve the customer experience. This sector continues to grow both in the number of users and in the requirements for upgrade as newer and more capable technologies become available.

The Group designs and supplies Access Control Systems for industrial and retail environments. In an active and competitive market, the Group solution comprises hardware such as CCTV, entry barriers and door controllers, all of which are interfaced to the data capture control software application to allow for control and monitoring of personnel within the operation.

### **Strategy**

The Group's overriding strategy is to achieve attractive and sustainable rates of growth and returns through organic means. Whilst presently the Group is not actively looking for acquisitions, any opportunity that should arise will be assessed and considered on merit.

### **Organic growth**

Whilst the Group has considerable strength in the markets it operates within, it is imperative to continue to develop and enhance the offering to the customer. We have taken advantage of latest development advancements in the IT world, for example 'cloud' based solutions and additional operating systems such as Android and iOS – incorporating these into our solutions has already taken place and the directors are confident this will continue to generate additional sales revenues and further secures our position in a competitive market.

Revenue growth will come in the form of capital sales but an increasing element of the sale will focus on recurring revenue extended into three and five year minimum terms.

### **Product range**

The Group product range include: elements in three distinct sets; Software applications, Mobile computer hardware and Managed services. The Group will continue to invest in these core areas and to reduce product costs where possible.

In-house designed hardware and application software gives the business the opportunity to create market specific solutions backed by a complete managed service. This provides an offering far better than the competition, who rely on elements of third party product to construct their solution and aftersales support programme.

### **Environmental**

The Group recognises the importance of managing consumption of the world's natural resources as well as providing a safe and healthy working environment for its employees. The Group consumes non-replaceable raw materials and energy and clearly the successful growth of the Group will lead to an increased consumption of raw materials on an absolute basis. We therefore seek to reduce the amount of resources consumed on a unit by unit basis to limit the size of our environmental footprint.

# **Touchstar plc (formerly Belgravium Technologies plc)**

## **Strategic report for the year ended 31 December 2016 (continued)**

### **Principal risks and uncertainties**

The directors recognise there are a number of risks within the business which may significantly impact the performance of the business. These risks are subjected to regular review and, where appropriate, processes are established to minimise the level of exposure. These are summarised below:

#### ***1. People***

The principal asset of the Group is the commitment and skill of its people. The retention of these people is therefore key to the success of the business. The Group monitors closely the satisfaction of its employees and ensures that remuneration packages match both contribution and the wider employment market. In addition, the Group has in place schemes which are related to Group results and which allow key employees to participate in the success of the Group as a whole.

#### ***2. Technology changes***

Changes in technology occur at an ever-increasing rate. Through its technical functions the business monitors emerging technologies and seeks to understand how these technologies will impact current business and how they may be incorporated in designs of future product offerings.

#### ***3. Competition***

The Group recognises that it operates on a global basis and as such is subject to competitive global pricing as well as service and performance criteria in local markets. Margins are monitored on a contract by contract basis and commercial decisions are adjusted accordingly. The Group recognises that a global strategy will create issues of foreign exchange fluctuations but that the overall contribution from such markets more than compensates for the level of risk.

#### ***4. Key commercial relationships***

The Group has a diverse range of customers and suppliers, and whilst these relationships are of significant importance to the Group's development, no single customer or supplier is of critical importance to the ongoing success of the Group.

#### ***5. Business partners***

The Group operates through business partners in certain parts of the world. The retention of their loyalty to the Group's product offering is important. The business is in frequent contact with these companies and regular visits are made. The Group also encourages these partners to supply local services, and hence earn a revenue stream, for contracts that the Group may have secured on a worldwide basis.

The financial risks faced by the Group are detailed in note 3 to the financial statements.



## **Touchstar plc (formerly Belgravium Technologies plc)**

### **Strategic report for the year ended 31 December 2016 (continued)**

#### **Key performance indicators**

The Directors monitor the business based on revenue and gross margin levels.

Turnover in 2016 was £7,624,000 compared to £8,676,000 in 2015. This reduction was due to a combination of delay in orders along with the product mix of sales which is becoming more weighted towards software licences and services generating higher margins as demonstrated below, where margins are richer but turnover reduced.

The gross margin increased from 47.6% in 2015 to 53.8% (2016) due to a combination of product mix (detailed above) and an effort to reduce manufacturing costs.

**On behalf of the board**



**M W Hardy**  
**Chief Executive Officer**  
**11 April 2017**

# **Touchstar plc (formerly Belgravium Technologies plc)**

## **Directors' report for the year ended 31 December 2016**

The directors present their Annual Report and the audited financial statements of the Company and the Group for the year ended 31 December 2016.

On 24 May 2016 the company name was changed from Belgravium Technologies plc to Touchstar plc.

### **Future outlook**

Across all markets serviced by the Group there is a sustained drive to reduce costs and to improve customer service. This can only be achieved by investment in the most modern technologies providing instantaneous information between back office applications and field-based functions. The Group recognises that competition will continue to impose challenges on margins. With investment in product offering, however, a robust commercial approach to the marketplace and above all a strong desire to succeed, we are confident about our prospects.

### **Employees**

The Group recognises that the contribution made by its skilled and committed workforce is the business's most valuable asset. The Group will continue to provide its people with a challenging environment and to provide rewards which recognise their achievements. The Group recognises that the needs of the business will continue to change. As such, training is and will continue to be offered such that employees are able to enhance their skill base to assist the business in meeting future challenges.

The Group has an established policy of encouraging the employment of disabled persons wherever this is practicable and endeavours to ensure that disabled employees benefit from training and career development programmes in common with all other employees. The Group's policy includes, where practicable, the continued employment of those who may become disabled during their employment.

### **Dividends**

The directors do not recommend a final dividend (2015: Nil).

### **Financial instruments**

The Group's operations expose it to a variety of financial risks that include the effects of changes in credit risk, liquidity risk and exchange rate risk. The policies set by the Board of Directors are implemented by the Group's finance department and are detailed in note 3 to the Group financial statements for the year ended 31 December 2016.

### **Directors**

The directors who held office during the year and to the date of this report are given below:

M W Hardy  
J L Christmas  
I P Martin

# Touchstar plc (formerly Belgravium Technologies plc)

## Directors' report for the year ended 31 December 2016 (continued)

### Purchase of own shares

The Company did not purchase any of its own shares in 2016.

At the Annual General Meeting held on 24 May 2016, members renewed the Company's authority under the Companies Act 2006 to make market purchases of up to 10% of the Company's shares in issue as at 31 December 2015.

The renewed authority given by members at the last Annual General Meeting for the Company to purchase its own shares will expire at the Annual General Meeting to be held on 28 June 2017. The directors believe that it is in the best interests of the Company for the authority to be renewed at that Annual General Meeting.

### Research and development

The Group is continually developing its products and services to meet the increasing demands of the markets in which the Group operates. During the year, the Group incurred total research and development costs of £1,026,000 (2015: £749,000), of which £539,000 (2015: £424,000) has been capitalised.

### Turnover

All turnover is generated within the UK.

### Statutory records

The Company is registered in Scotland and its registered number is 5543.

### Substantial shareholdings

As at 31 March 2017, the Company had been notified of the following interests representing 3% or more of the issued ordinary share capital:

|                                | Ordinary<br>shares | Percentage<br>of ordinary<br>share capital |
|--------------------------------|--------------------|--|
| I P Martin                     | 320,250            | 5.08%                                      |
| R D McDougall                  | 368,500            | 5.84%                                      |
| Barclays Stockbrokers Limited  | 331,500            | 5.25%                                      |
| Chelverton Growth Trust plc    | 562,750            | 8.92%                                      |
| Thomas William George Charlton | 379,750            | 6.02%                                      |

Except for those disclosed above, the directors are not aware of any shareholding which represents 3% or more of the present issued ordinary share capital of the Company.

# **Touchstar plc (formerly Belgravium Technologies plc)**

## **Directors' report for the year ended 31 December 2016 (continued)**

### **Directors' indemnities**

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year directors' and officers' liability insurance in respect of itself and its directors.

### **Disclosure of information to auditors**

Each director at the date of approval of this report confirms that:

- so far as each director is aware, there is no relevant audit information (that is, information needed by the auditors in connection with preparing their report) of which the auditors are unaware; and
- each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the auditors are aware of that information.

This statement is given and should be interpreted in accordance with the provision of Section 418 of the Companies Act 2006.

### **Independent auditors**

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution that they be reappointed will be proposed at the Annual General Meeting.

### **By order of the Board**



**N M Rourke**  
**Company Secretary**  
**11 April 2017**

## **Touchstar plc (formerly Belgravium Technologies plc)**

### **Statement of directors' responsibilities in respect of the financial statements**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the Group financial statements and IFRSs as adopted by the European Union have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the ultimate parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors consider that the annual report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Company's performance, business model and strategy.

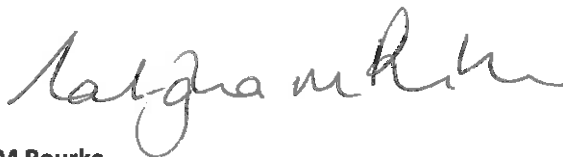
## **Touchstar plc (formerly Belgravium Technologies plc)**

### **Statement of directors' responsibilities (continued)**

Each of the directors, whose names are listed in the Directors' Report confirm that, to the best of their knowledge:

- the Company financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and result of the Company;
- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Directors' Report and Strategic Report include a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

**By order of the Board**



**N M Rourke**  
**Company Secretary**  
**11 April 2017**

# Touchstar plc (formerly Belgravium Technologies plc)

## Independent auditors' report to the members of Touchstar plc

### Report on the financial statements

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#### Our opinion

In our opinion:

- Touchstar plc's Group financial statements and Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2016 and of the Group's profit and the Group's and the Company's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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#### What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the Group and Company statements of financial position as at 31 December 2016;
- the Consolidated income statement for the year then ended;
- the Group and Company cash flow statements for the year then ended;
- the Consolidated statement of changes in shareholders' equity for the year then ended;
- the Company statement of changes in shareholders' equity for the year then ended; and
- the Notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2006, and applicable law.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

# **Touchstar plc (formerly Belgravium Technologies plc)**

## **Independent auditors' report to the members of Touchstar plc (continued)**

### **Opinions on other matter prescribed by the Companies Act 2006**

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In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the Group, the Company and their environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic report and the Directors' report. We have nothing to report in this respect.

### **Other matters on which we are required to report by exception**

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#### **Adequacy of accounting records and information and explanations received**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

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#### **Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

### **Responsibilities for the financial statements and the audit**

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#### **Our responsibilities and those of the directors**

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on pages 13-14, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.



## Touchstar plc (formerly Belgravium Technologies plc)

### Independent auditors' report to the members of Touchstar plc (continued)

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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#### What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's and the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic report and Directors' report, we consider whether those reports include the disclosures required by applicable legal requirements.



**Hazel Macnamara (Senior Statutory Auditor)**  
**for and on behalf of PricewaterhouseCoopers LLP**  
**Chartered Accountants and Statutory Auditors**  
**Manchester**  
**11 April 2017**

## Touchstar plc (formerly Belgravium Technologies plc)

### Consolidated income statement for the year ended 31 December 2016

|   |      | 2016    | 2015     |
|---|------|---------|----------|
| Continuing operations   | Note | £'000   | £'000    |
| Revenue   | 5    | 7,624   | 8,676    |
| Cost of sales   |      | (3,523) | (4,544)  |
| Gross profit  |      | 4,101   | 4,132    |
| Distribution costs  |      | (72)    | (88)     |
| Administration expenses   |      | (3,806) | (10,574) |
| Operating profit before exceptional items                           |      | 223     | 107      |
| Exceptional costs included in administration expenses               | 13   | -       | (637)    |
| Goodwill impairment   | 14   | -       | (6,000)  |
| Operating profit/(loss)   | 6    | 223     | (6,530)  |
| Finance costs   | 11   | (10)    | (1)      |
| Profit/(loss) before income tax                                     |      | 213     | (6,531)  |
| Income tax credit   | 12   | 262     | 192      |
| Profit/(loss) for the year attributable to the owners of the parent |      | 475     | (6,339)  |

Earnings/(loss) per ordinary share (pence) attributable to owners of the parent during the year:

|       | 2016  | 2015    |
|-------|-------|---------|
| Basic | 7.53p | (6.28)p |

There is no other comprehensive income or expense in the current year or prior year and consequently no statement of other comprehensive income or expense has been presented.

## Touchstar plc (formerly Belgravium Technologies plc)

### Consolidated statement of changes in shareholders' equity for the year ended 31 December 2016

|                            | Share capital<br>£'000 | Share premium account<br>£'000 | Capital redemption reserve<br>£'000 | Retained earnings/<br>(accumulated losses)<br>£'000 | Total equity<br>£'000 |
|----------------------------|------------------------|--------------------------------|-------------------------------------|---|-----------------------|
| <b>At 1 January 2015</b>   | 5,047                  | 2,932                          | 2,100                               | 1,578   | 11,657                |
| Loss for the year          | -                      | -                              | -                                   | (6,339)   | (6,339)               |
| <b>At 31 December 2015</b> | 5,047                  | 2,932                          | 2,100                               | (4,761)   | 5,318                 |
| Capital reduction          | (4,732)                | (2,932)                        | (2,100)                             | 9,764   | -                     |
| Costs of capital reduction | -                      | -                              | -                                   | (37)  | (37)                  |
| Profit for the year        | -                      | -                              | -                                   | 475   | 475                   |
| <b>At 31 December 2016</b> | 315                    | -                              | -                                   | 5,441   | 5,756                 |

### Company statement of changes in shareholders' equity for the year ended 31 December 2016

|                            | Share capital<br>£'000 | Share premium account<br>£'000 | Capital redemption reserve<br>£'000 | Retained earnings/<br>(accumulated losses)<br>£'000 | Total equity<br>£'000 |
|----------------------------|------------------------|--------------------------------|-------------------------------------|---|-----------------------|
| <b>At 1 January 2015</b>   | 5,047                  | 2,932                          | 2,100                               | 2,798   | 12,877                |
| Loss for the year          | -                      | -                              | -                                   | (5,946)   | (5,946)               |
| <b>At 31 December 2015</b> | 5,047                  | 2,932                          | 2,100                               | (3,148)   | 6,931                 |
| Capital reduction          | (4,732)                | (2,932)                        | (2,100)                             | 9,764   | -                     |
| Costs of capital reduction | -                      | -                              | -                                   | (37)  | (37)                  |
| Loss for the year          | -                      | -                              | -                                   | (2,096)   | (2,096)               |
| <b>At 31 December 2016</b> | 315                    | -                              | -                                   | 4,483   | 4,798                 |

# Touchstar plc (formerly Belgravium Technologies plc)

## Statement of financial position as at 31 December 2016

|                                | Note | Group         |               | Company      |               |
|--------------------------------|------|---------------|---------------|--------------|---------------|
|                                |      | Restated *    |               |              |               |
|                                |      | 2016          | 2015          | 2016         | 2015          |
|                                |      | £'000         | £'000         | £'000        | £'000         |
| <b>Non-current assets</b>      |      |               |               |              |               |
| Goodwill                       | 14   | 3,824         | 3,824         | -            | -             |
| Development expenditure        | 14   | 989           | 820           | -            | -             |
| Total intangible assets        |      | 4,813         | 4,644         | -            | -             |
| Investments                    | 15   | -             | -             | 7,298        | 9,798         |
| Property, plant and equipment  | 16   | 236           | 182           | -            | -             |
| Deferred tax assets            | 18   | 67            | 67            | 7            | 7             |
|                                |      | 5,116         | 4,893         | 7,305        | 9,805         |
| <b>Current assets</b>          |      |               |               |              |               |
| Inventories                    | 19   | 1,259         | 1,490         | -            | -             |
| Trade and other receivables    | 20   | 2,026         | 2,367         | 224          | 227           |
| Current tax recoverable        |      | 203           | 175           | -            | -             |
| Cash and cash equivalents      | 21   | 2,206         | 3,174         | -            | -             |
|                                |      | 5,694         | 7,206         | 224          | 227           |
| <b>Total assets</b>            |      | <b>10,810</b> | <b>12,099</b> | <b>7,529</b> | <b>10,032</b> |
| <b>Current liabilities</b>     |      |               |               |              |               |
| Trade and other payables       | 22   | 2,295         | 3,514         | 196          | 161           |
| Borrowings                     | 23   | 2,535         | 2,940         | 2,535        | 2,940         |
|                                |      | 4,830         | 6,454         | 2,731        | 3,101         |
| <b>Non-current liabilities</b> |      |               |               |              |               |
| Deferred tax liabilities       | 18   | 75            | 75            | -            | -             |
| Trade and other payables       | 22   | 149           | 252           | -            | -             |
| <b>Total liabilities</b>       |      | <b>5,054</b>  | <b>6,781</b>  | <b>2,731</b> | <b>3,101</b>  |

\* Please see note 2.

# Touchstar plc (formerly Belgravium Technologies plc)

## Statement of financial position as at 31 December 2016 (continued)

|  |      | Group         |               | Company       |               |
|--|------|---------------|---------------|---------------|---------------|
|  |      | Restated *    |               |               |               |
|  | Note | 2016<br>£'000 | 2015<br>£'000 | 2016<br>£'000 | 2015<br>£'000 |
| <b>Capital and reserves attributable to owners of the parent</b> |      |               |               |               |               |
| Retained earnings/ (accumulated losses) at 1 January 2016        |      | (4,761)       | 1,578         | (3,148)       | 2,798         |
| Profit/(loss) for the year                                       |      | 475           | (6,339)       | (2,096)       | (5,946)       |
| Capital reduction  | 25   | 9,764         | -             | 9,764         | -             |
| Cost of capital reduction  | 25   | (37)          | -             | (37)          | -             |
| Retained earnings/ (accumulated losses)                          | 25   | 5,441         | (4,761)       | 4,483         | (3,148)       |
| Share capital  | 24   | 315           | 5,047         | 315           | 5,047         |
| Share premium account  | 25   | -             | 2,932         | -             | 2,932         |
| Capital redemption reserve                                       | 25   | -             | 2,100         | -             | 2,100         |
| <b>Total equity</b>  |      | <b>5,756</b>  | <b>5,318</b>  | <b>4,798</b>  | <b>6,931</b>  |
| <b>Total equity and liabilities</b>                              |      | <b>10,810</b> | <b>12,099</b> | <b>7,529</b>  | <b>10,032</b> |

\* Please see note 2.

The notes on pages 23 to 55 are an integral part of these Group financial statements.

The Group financial statements on pages 18 to 55 were approved by the Board of Directors on 11 April 2017 and were signed on its behalf by:



**M W Hardy**  
Director  
Registered number Scotland: 5543

# Touchstar plc (formerly Belgravium Technologies plc)

## Cash flow statement for the year ended 31 December 2016

|   |      | Group          |           | Company        |           |
|---|------|----------------|-----------|----------------|-----------|
|   | Note | 2016           | 2015      | 2016           | 2015      |
|   |      | £'000          | £'000     | £'000          | £'000     |
| <b>Cash flows from operating activities</b>         |      |                |           |                |           |
| Operating profit/(loss)                             |      | <b>223</b>     | (6,530)   | <b>513</b>     | (5,929)   |
| Depreciation  | 16   | <b>100</b>     | 117       | -              | 24        |
| Amortisation  | 14   | <b>370</b>     | 320       | -              | -         |
| Goodwill impairment                                 | 14   | -              | 6,000     | -              | 6,000     |
| Movement in:  |      |                |           |                |           |
| Inventories   | 19   | <b>231</b>     | (55)      | -              | -         |
| Trade and other receivables                         | 20   | <b>341</b>     | 810       | <b>3</b>       | <b>7</b>  |
| Trade and other payables                            | 22   | <b>(1,322)</b> | (741)     | <b>(64)</b>    | (25)      |
| <b>Cash generated (used in)/from operations</b>     |      | <b>(57)</b>    | (79)      | <b>452</b>     | <b>77</b> |
| Interest paid                                       |      | <b>(10)</b>    | (1)       | <b>(10)</b>    | (1)       |
| Corporation tax paid                                |      | -              | -         | -              | (16)      |
| Corporation tax received                            |      | <b>234</b>     | 120       | -              | -         |
| <b>Net cash generated from operating activities</b> |      | <b>167</b>     | <b>40</b> | <b>442</b>     | <b>60</b> |
| <b>Cash flows from investing activities</b>         |      |                |           |                |           |
| Purchase of intangible assets                       | 14   | <b>(539)</b>   | (424)     | -              | -         |
| Purchase of property, plant and equipment           | 16   | <b>(154)</b>   | (82)      | -              | -         |
| <b>Net cash used in investing activities</b>        |      | <b>(693)</b>   | (506)     | -              | -         |
| <b>Cash flows from financing activities</b>         |      |                |           |                |           |
| Repayments of finance lease contracts               |      | <b>(8)</b>     | (23)      | <b>(8)</b>     | (15)      |
| Costs of capital restructuring                      |      | <b>(37)</b>    | -         | <b>(37)</b>    | -         |
| <b>Net cash used in financing activities</b>        |      | <b>(45)</b>    | (23)      | <b>(45)</b>    | (15)      |
| <b>Net decrease in cash and cash equivalents</b>    |      | <b>(571)</b>   | (489)     | <b>397</b>     | <b>45</b> |
| Cash and cash equivalents at start of the year      |      | <b>242</b>     | 731       | <b>(2,932)</b> | (2,977)   |
| <b>Cash and cash equivalents at end of the year</b> | 21   | <b>(329)</b>   | 242       | <b>(2,535)</b> | (2,932)   |

# **Touchstar plc (formerly Belgravium Technologies plc)**

## **Notes to the Group financial statements for the year ended 31 December 2016**

### **1 General information**

Touchstar plc (formerly Belgravium Technologies plc) ('the Parent Company' or 'Company') and its subsidiaries (together 'the Group') design and build rugged mobile computing devices and develop software solutions used in a wide variety of field-based delivery, logistics and service applications. The Company is a public company limited by share capital incorporated and domiciled in the United Kingdom. The Company has its listing on the Alternative Investment Market. The address of its registered office is 1 George Square, Glasgow, G2 1AL.

### **2 Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### **2.1 Basis of preparation**

The annual report and financial statements of the Company and the Group have been prepared in accordance with IFRS as adopted by the European Union (IFRS), IFRS IC interpretations, the Companies Act 2006 applicable to companies reporting under IFRSs and the AIM rules for companies. The annual report and financial statements have been prepared under the historic cost convention.

The annual report and financial statements have been prepared on a going concern basis. The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the parent Company income statement. The profit for the Company is detailed in the Statement of changes in shareholders' equity.

The presentational currency of the Group and Company is pounds' sterling. The Company's functional currency is pounds' sterling. All amounts included in these financial statements are rounded to the nearest thousand pounds' sterling, except where explicitly stated otherwise.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

#### **Going concern**

The directors have at the time of approving the financial statements, a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

# Touchstar plc (formerly Belgravium Technologies plc)

## Notes to the Group financial statements for the year ended 31 December 2016 (continued)

### 2 Summary of accounting policies (continued)

#### 2.1 Basis of preparation (continued)

##### Restatement

The Group operates a composite banking arrangement, under which the Group and its bankers have a legal right to offset certain balances which may be in a cash or overdraft position. Previously, the Group offset these cash and overdraft balances in determining cash and short-term deposits as presented on the Group Balance Sheet.

In March 2016, the IFRS Interpretations Committee (IFRS IC) issued an agenda decision regarding the treatment of offsetting and cash-pooling arrangements in accordance with IAS 32: 'Financial instruments: Presentation'. This provided additional guidance on when bank overdrafts in cash-pooling arrangements would meet the requirements for offsetting in accordance with IAS 32. Following this additional guidance, the Group has reviewed its cash-pooling arrangements and has revised its presentation of bank overdrafts resulting in £2,535,000 of bank overdrafts being reported in borrowings, with a corresponding increase in cash and short-term deposits. Comparatives at 31 December 2015 have also been restated with an additional £2,932,000 of bank overdrafts being reported in borrowings with a corresponding increase in cash and short-term deposits.

The Group has considered the requirements of IAS 8 in respect of changes in accounting policies and the requirement to present a balance sheet as at the start date of the comparative period. As the change in accounting policy has no impact on the Group's reported profit, or the net assets of the Group, the Group does not consider the adjustment to be material to require the presentation of an additional balance sheet. The impact on the opening comparative period, being as at 1 January 2015, would have been to increase both cash and short-term deposits and borrowings by £2,977,000.

##### Changes in accounting policies and disclosures

###### (a) New standards, amendments to standards or interpretations adopted by the Group and Company

The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended standards and interpretations during the year that are applicable to the Group or Company. Adoption of these revised standards and interpretations had no effect on the consolidated financial statements of the Group or the individual Company.

| Standard or interpretation | Content                                      | Effective date |
|----------------------------|--|----------------|
| Amendment: IAS 19          | Disclosure initiative                        | 1 January 2016 |
| Amendment: IAS 16          | Property, plant and equipment                | 1 January 2016 |
| Amendment: IAS 38          | Intangible assets                            | 1 January 2016 |
| Amendment: IAS 27          | Separate financial statements                | 1 January 2016 |
| Amendment: IAS 28          | Investments in associates and joint ventures | 1 January 2016 |
| Amendment: IFRS 10         | Consolidation exceptions                     | 1 January 2016 |



## Touchstar plc (formerly Belgravium Technologies plc)

### Notes to the Group financial statements for the year ended 31 December 2016 (continued)

## 2 Summary of accounting policies (continued)

### 2.1 Basis of preparation (continued)

#### (b) New standards, amendments to standards or interpretations not yet adopted by the Group and Company

The following new standards, amendments to standards or interpretations are mandatory for the first time no earlier than the financial year beginning 1 January 2017. No standards have been early adopted by the Group and Company. None of these standards and interpretations are expected to have a material effect on either the Group's or Company's financial statements.

Standards, amendments and interpretations that are not yet effective are as follows:

| Standard or interpretation | Content                               | Mandatory effective date       |
|----------------------------|---------------------------------------|--------------------------------|
| IAS 7                      | Statement of cash flows (amendments)  | No earlier than 1 January 2017 |
| IAS 12                     | Income taxes (amendments)             | No earlier than 1 January 2017 |
| IFRS 2                     | Share based payments (amendments)     | No earlier than 1 January 2018 |
| IFRS 9                     | Financial instruments                 | No earlier than 1 January 2018 |
| IFRS 15                    | Revenue from contracts with customers | No earlier than 1 January 2018 |
| IFRS 16                    | Leases                                | No earlier than 1 January 2019 |

The directors do not expect that the adoption of the standards listed above will have a material impact on the consolidated financial statements of the Group or Company in future periods, except as follows:

- IFRS 15 - This may affect the timing of the recognition of our hardware revenue, although the directors do not believe that this will have a significant impact as a prudent approach to the timing of revenue recognition is already in place.
- IFRS 16 – Currently disclosed operating leases would be brought on to the balance sheet, and rather than a lease expense charge going through operating income, a depreciation charge and a finance charge would replace this, with the latter going through finance costs. The current level of operating lease commitments is disclosed in note 26.

Beyond the information above it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

There are no other standards that are not yet effective and that would be expected to have a significant impact on the Group or Company in the current or future reporting periods and on foreseeable future transactions.

# **Touchstar plc (formerly Belgravium Technologies plc)**

## **Notes to the Group financial statements for the year ended 31 December 2016 (continued)**

### **2 Summary of accounting policies (continued)**

#### **2.2 Consolidation**

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

The financial statements consolidate the accounts of Touchstar plc (formerly Belgravium Technologies plc) and all of its subsidiary undertakings. Intra-Group sales and profits are eliminated fully on consolidation.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

#### **2.3 Segment reporting**

In accordance with IFRS 8 operating segments are reported in a manner consistent with the internal reporting provided to the directors. The directors are responsible for allocating resources and assessing performance of the operating segments, these have been identified as the Executive Board. The Executive Board considers that the Group comprises one segment, being the supply and maintenance of real time electronic data systems, and this is how results are reported to the Executive Board.

#### **2.4 Foreign currency translation**

##### **(a) Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in sterling, which is the Company's functional and presentation currency.

##### **(b) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

# **Touchstar plc (formerly Belgravium Technologies plc)**

## **Notes to the Group financial statements for the year ended 31 December 2016 (continued)**

### **2 Summary of accounting policies (continued)**

#### **2.5 Property, plant and equipment**

Property, plant and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to reduce an asset's cost to its residual value over its estimated useful life, as follows:

|   |                |
|---|----------------|
| Plant and machinery                     | over 2-5 years |
| Fixtures, fittings, tools and equipment | over 4-5 years |

Residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

#### **2.6 Intangible assets**

##### **(a) Goodwill**

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition.

Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

# Touchstar plc (formerly Belgravium Technologies plc)

## Notes to the Group financial statements for the year ended 31 December 2016 (continued)

### 2 Summary of accounting policies (continued)

#### 2.6 Intangible assets (continued)

##### (b) Development expenditure

Development expenditure is stated at historic cost less accumulated amortisation. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditure that does not meet the criteria is recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development expenditure is recorded as an intangible asset and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, not exceeding five years.

#### 2.7 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill and investments, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Non-financial assets other than goodwill that suffer an impairment are reviewed for possible reversal of the impairment at each reporting date.

#### 2.8 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises actual costs incurred in bringing each product to its present location and condition as follows:

- |  |   |
|--|---|
| - Raw materials and consumables:       | Purchase cost on a weighted average basis |
| - Work in progress and finished goods: | Cost of direct materials                  |

# **Touchstar plc (formerly Belgravium Technologies plc)**

## **Notes to the Group financial statements for the year ended 31 December 2016 (continued)**

### **2 Summary of accounting policies (continued)**

#### **2.8 Inventories (continued)**

The cost of work in progress and finished goods excludes direct labour and related production overheads as the directors consider that this element is not material.

Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Provision is made where necessary for obsolete, slow moving and defective inventory.

#### **2.9 Trade and other receivables**

Trade and other receivables do not carry interest and are initially recognised at fair value, and subsequently carried at amortised cost, less any provision for any amount estimated to be irrecoverable. They are included within current assets, except where the receivables are expected to be settled in more than 12 months in which case they are classified as non-current assets.

#### **2.10 Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts where applicable are shown within borrowings in current liabilities on the balance sheet and where appropriate the right of offset has been taken.

#### **2.11 Share capital**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

# **Touchstar plc (formerly Belgravium Technologies plc)**

## **Notes to the Group financial statements for the year ended 31 December 2016 (continued)**

### **2 Summary of accounting policies (continued)**

#### **2.12 Trade and other payables**

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less. If not they are presented as non-current liabilities.

Trade payables are recognised at fair value and subsequently held at amortised cost.

#### **2.13 Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

#### **2.14 Current and deferred tax**

The tax expense for the year comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profits or losses. Deferred income tax is determined using tax rates (and laws) that have been substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

# **Touchstar plc (formerly Belgravium Technologies plc)**

## **Notes to the Group financial statements for the year ended 31 December 2016 (continued)**

### **2 Summary of accounting policies (continued)**

#### **2.14 Current and deferred tax (continued)**

Deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

#### **2.15 Employee benefits**

##### **(a) Pension obligations**

The Group operates various pension schemes. The schemes are generally funded through payments to insurance companies. The Group has only defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity.

The Group pays contributions to privately administered pension insurance plans on a contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payment is available.

##### **(b) Profit-sharing and bonus plans**

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

# **Touchstar plc (formerly Belgravium Technologies plc)**

## **Notes to the Group financial statements for the year ended 31 December 2016 (continued)**

### **2 Summary of accounting policies (continued)**

#### **2.16 Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below.

Income from the sale of goods is recognised on dispatch to the customer.

Income from the sale of advance maintenance and software and licence contracts (managed support services) is shown as deferred income in the balance sheet and released to revenue over the length of the contract in line with the substance of the relevant agreement.

#### **2.17 Leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.



# **Touchstar plc (formerly Belgravium Technologies plc)**

## **Notes to the Group financial statements for the year ended 31 December 2016 (continued)**

### **2 Summary of accounting policies (continued)**

#### **2.18 Dividend distribution**

Any annual final dividend is not provided for until approved at the Annual General Meeting, whilst interim dividends are charged in the period they are paid.

#### **2.19 Exceptional items**

Items which are both material and non-recurring in nature are presented as exceptional items so as to provide a better indication of the Group's underlying business performance and are shown separately on the face of the income statement.

### **3 Risk management**

#### **3.1 Financial risk management**

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

##### **(a) Market risk**

##### **(i) Foreign exchange risk**

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, principally with respect to the euro and the US dollar. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

Natural hedging occurs through the matching of foreign currency income, expenditure and commitments. When projected foreign currency balances are not anticipated to be covered through this natural matching process, the Group may choose to enter into forward foreign exchange contracts through its bankers and other financial institutions.

At 31 December 2016, no forward foreign exchange contracts were outstanding (2015: £nil).

## **Touchstar plc (formerly Belgravium Technologies plc)**

### **Notes to the Group financial statements for the year ended 31 December 2016 (continued)**

#### **3 Risk management (continued)**

##### **3.1 Financial risk management (continued)**

###### **(a) Market risk (continued)**

###### **(ii) Cash flow and fair value interest rate risk**

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

###### **(b) Credit risk**

The Group has a customer credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

At 31 December 2016 there were no significant concentrations of credit risk (2015: £nil). The maximum exposure to credit risk is represented by the carrying amount of each financial asset included in the balance sheet. Management does not expect any losses from non-performance by these counterparties. Due to the nature of the Group's business, credit risk is assessed on a customer by customer basis prior to entering into contractual arrangements.

###### **(c) Liquidity risk**

The Group maintains short-term cash deposits and unutilised banking facilities to mitigate any liquidity risk it may face. Management monitors rolling forecasts of the Group's liquidity reserves on the basis of forecast cash flow.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. Impact on discounting is not deemed material/relevant in respect of trade and other payables since this relates predominantly to deferred revenue for which the cash has already been received and the balance is being released to the income statement in line with the contract.

## Touchstar plc (formerly Belgravium Technologies plc)

### Notes to the Group financial statements for the year ended 31 December 2016 (continued)

#### 3 Risk management (continued)

##### 3.1 Financial risk management (continued)

###### (c) Liquidity risk (continued)

|                            | Less than<br>one year<br>£'000 | Between one and<br>four years<br>£'000 |
|----------------------------|--------------------------------|--|
| <b>At 31 December 2016</b> |                                |  |
| Bank overdraft             | 334                            | -                                      |
| Trade and other payables   | 2,295                          | 149                                    |
| <b>At 31 December 2015</b> |                                |  |
| Finance lease              | 8                              | -                                      |
| Trade and other payables   | 3,514                          | 252                                    |

##### 3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Company also has an authority under the Companies Act 2006 to make market purchases of up to 10% of the Company's shares in issue at 31 December 2016.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

The gearing ratios at 31 December 2016 and 2015 were as follows:

|               | 2016<br>£'000 | 2015<br>£'000 |
|---------------|---------------|---------------|
| Net debt*     | 329           | -             |
| Total equity  | 5,756         | 5,318         |
| Total capital | 6,085         | 5,318         |
| Gearing ratio | 5%            | 0%            |

\*The Group had a net cash surplus of £234,000 at 31 December 2015.

## **Touchstar plc (formerly Belgravium Technologies plc)**

### **Notes to the Group financial statements for the year ended 31 December 2016 (continued)**

#### **3 Risk management (continued)**

##### **3.3 Fair value estimation**

The carrying value, less impairment provision of trade receivables and payables are assumed to approximate to their fair value. The carrying values of borrowings approximate to their fair value due to their short-term maturity.

#### **4 Critical accounting estimates and judgements**

The Group and Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

##### **(a) Impairment of goodwill and investments**

The Group and Company test annually whether goodwill and investments have suffered any impairment, in accordance with the accounting policy. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates, both in arriving at the expected future cash flows and in the application of a suitable discount rate in order to calculate the present value of these flows.

It is the opinion of the directors, whilst taking a more conservative view of future growth rates, that no impairment of goodwill has taken place however an impairment of investments in the parent company has been made of £2,500,000 to its recoverable amount.

##### **(b) Development expenditure**

The Group recognises costs incurred on development projects as an intangible asset which satisfies the requirements of IAS 38. The calculation of the costs incurred includes the percentage of time spent by certain employees on the development project. The decision whether to capitalise and how to determine the period of economic benefit of a development project requires an assessment of the commercial viability of the project and the prospect of selling the project to new or existing customers.

## Touchstar plc (formerly Belgravium Technologies plc)

### Notes to the Group financial statements for the year ended 31 December 2016 (continued)

#### 5 Segmental information

The Group has two trading subsidiaries, Touchstar ATC Limited (formerly Feedback Data Limited) and Touchstar Technologies Limited, however the directors consider that both companies are engaged in the same market and therefore the directors review the results of the Group as a whole.

Consequently, the directors regard the Group as operating in one segment, being the supply and maintenance of real time electronic data systems. All of the Group's revenue, expenses, results, assets and liabilities are in respect of the supply and maintenance of real time electronic data systems and are presented on pages 18 to 21.

All turnover is generated within the UK. A geographical analysis of revenue delivered by destination is given below:

|               | 2016  | 2015  |
|---------------|-------|-------|
|               | £'000 | £'000 |
| UK            | 6,127 | 7,093 |
| Europe        | 1,321 | 1,465 |
| Rest of World | 176   | 118   |
|               | 7,624 | 8,676 |

#### 6 Operating profit/(loss)

|   | 2016  | 2015  |
|---|-------|-------|
|   | £'000 | £'000 |
| Operating profit/(loss) is stated after charging: |       |       |
| Depreciation:                                     |       |       |
| Owned assets                                      | 100   | 117   |
| Development expenditure amortisation (note 14)    | 370   | 320   |
| Impairment of trade receivables                   | 57    | 12    |
| Goodwill impairment (note 14)                     | –     | 6,000 |
| Exceptional costs (note 13)                       | –     | 637   |
| Operating lease rentals:                          |       |       |
| Plant and machinery                               | 162   | 185   |
| Land and buildings                                | 124   | 223   |
| Research and development expenditure              | 488   | 325   |

## Touchstar plc (formerly Belgravium Technologies plc)

### Notes to the Group financial statements for the year ended 31 December 2016 (continued)

#### 7 Auditors' remuneration

During the year the Group obtained the following services from the Company's auditors at costs as detailed below:

|  | 2016<br>£'000 | 2015<br>£'000 |
|--|---------------|---------------|
| <b>Audit services:</b>   |               |               |
| Fees payable to the Company's auditors for the audit of the Parent Company and consolidated financial statements | 8             | 18            |
| <b>Fees payable to the Company's auditors for other services:</b>  |               |               |
| Audit of subsidiaries pursuant to legislation  | 35            | 29            |
| Other  | -             | 1             |
|  | <b>43</b>     | <b>48</b>     |

The Group audit fees and expenses paid to the Company's auditors include £3,000 (2015: £3,000) paid in respect of the Parent Company.

#### 8 Employee benefit expense

The average monthly number of persons (including directors) employed by the Group during the year was:

|                                      | Group          |                | Company        |                |
|--------------------------------------|----------------|----------------|----------------|----------------|
|                                      | 2016<br>Number | 2015<br>Number | 2016<br>Number | 2015<br>Number |
| Administrative, management and sales | 63             | 66             | 4              | 4              |
| Manufacturing                        | 16             | 23             | -              | -              |
|                                      | <b>79</b>      | <b>89</b>      | <b>4</b>       | <b>4</b>       |

|  | 2016<br>£'000 | 2015<br>£'000 | 2016<br>£'000 | 2015<br>£'000 |
|--|---------------|---------------|---------------|---------------|
| <b>Staff costs for the above persons were:</b>   |               |               |               |               |
| Wages and salaries                               | 2,913         | 2,986         | 264           | 355           |
| Social security costs                            | 335           | 372           | 32            | 42            |
| Other pension costs – defined contribution plans | 178           | 174           | 39            | 37            |
|  | <b>3,426</b>  | <b>3,532</b>  | <b>335</b>    | <b>434</b>    |

# Touchstar plc (formerly Belgravium Technologies plc)

## Notes to the Group financial statements for the year ended 31 December 2016 (continued)

### 9 Directors' emoluments

|  | 2016<br>£'000 | 2015<br>£'000 |
|--|---------------|---------------|
| Aggregate emoluments                       | 260           | 357           |
| Pension costs – defined contribution plans | 38            | 34            |
|  | 298           | 391           |

All the Directors are remunerated through the parent company.

The emoluments of the individual Directors were as follows:

|   | 2016<br>£'000 | 2015<br>£'000 |
|---|---------------|---------------|
| Salaries, fees and bonuses:               |               |               |
| <b>Executive directors</b>                |               |               |
| J P Kembery (resigned 23 June 2015)       | -             | 41            |
| I P Martin (appointed 28 May 2015)        | 50            | 28            |
| M W Hardy                                 | 182           | 184           |
| M P Unwin (resigned 30 September 2015)    | -             | 78            |
| <b>Non-executive directors</b>            |               |               |
| C F Phillips (resigned 31 October 2015)   | -             | 21            |
| J L Christmas (appointed 1 November 2015) | 28            | 5             |
|   | 260           | 357           |

Salaries and fees are inclusive of car allowances for M W Hardy of £23,000 (2015: £25,000) and for M P Unwin of £nil (2015: £5,000).

M W Hardy is also accruing benefits under a defined contribution pension scheme. The Company made contributions of £38,000 (2015: £34,000) into the scheme. No other directors receive contributions to any pension scheme.

## Touchstar plc (formerly Belgravium Technologies plc)

### Notes to the Group financial statements for the year ended 31 December 2016 (continued)

#### 10 Key management compensation

Key management consists of the directors and four key departmental managers (2015: four).

|  | 2016  | 2015  |
|--|-------|-------|
|  | £'000 | £'000 |
| Wages and salaries                         | 679   | 695   |
| Social security costs                      | 76    | 96    |
| Pension costs – defined contribution plans | 66    | 57    |
|  | 821   | 848   |

#### 11 Finance costs

|                            | 2016  | 2015  |
|----------------------------|-------|-------|
|                            | £'000 | £'000 |
| Interest on finance leases | 1     | 1     |
| Bank interest              | 10    | 1     |
|                            | 10    | 1     |

#### 12 Income tax credit

|                                       | 2016  | 2015  |
|---------------------------------------|-------|-------|
|                                       | £'000 | £'000 |
| <b>Corporation tax</b>                |       |       |
| Current tax                           | (201) | (175) |
| Adjustments in respect of prior years | (61)  | (17)  |
| Income tax credit                     | (262) | (192) |

Corporation tax is calculated at 20% (2015: 20.25%) of the estimated assessable profit for the year. This is the weighted average tax rate applicable for the year.



## Touchstar plc (formerly Belgravium Technologies plc)

### Notes to the Group financial statements for the year ended 31 December 2016 (continued)

#### 12 Income tax credit (continued)

##### Factors affecting the tax credit for the year

The tax credit for the year is different from the standard rate of corporation tax in the UK of 20% (2015: 20.25%). The differences are explained below:

|  | 2016<br>£'000 | 2015<br>£'000 |
|--|---------------|---------------|
| Profit/(loss) before income tax  | 213           | (6,531)       |
| Multiplied by the standard rate of corporation tax in the UK of 20% (2015: 20.25%) | 42            | (1,322)       |
| Effects of:  |               |               |
| Items not deductible for tax purposes  | 76            | 1,261         |
| Enhanced research and development deduction  | (359)         | (284)         |
| Adjustments in respect of prior years  | (61)          | (17)          |
| Capitalised expense allowable for tax purposes                                     | (13)          | -             |
| Losses surrendered through R&D tax credit  | 76            | 123           |
| Utilisation of tax losses  | -             | (16)          |
| Capital allowances in excess of depreciation                                       | (23)          | (8)           |
| Tax losses carried forward   | -             | 71            |
| Tax credit for the year  | (262)         | (192)         |

##### Factors affecting the future tax charge

The standard rate of corporation tax in the UK changed from 21% to 20% with effect from 1 April 2015. Accordingly, the Group's profit chargeable to corporation tax for the prior accounting year was taxed at the effective rate of 20.25% and at 20% in the current accounting year.

The change in the corporation tax rate from 20% to 19% (effective from 1 April 2017) was enacted in the Finance Act 2015 and, as a result, UK deferred tax balances in 2016 were measured at the enacted rates of 20% and 19%.

The effective tax charge in future years is expected to be lower than the main corporation tax rate due to the availability of enhanced research and development tax credits.

A change to the UK corporation tax rate was announced in the Chancellor's Budget on 16 March 2016. The change announced is to reduce the main rate to 17% from 1 April 2020. This change became substantively enacted on 15 September 2016. Changes to reduce the UK corporation tax rate to 19% from 1 April 2017 and to 18% from 1 April 2020 had already been substantively enacted on 26 October 2015.

## Touchstar plc (formerly Belgravium Technologies plc)

### Notes to the Group financial statements for the year ended 31 December 2016 (continued)

#### 13 Earnings/(losses) per share

|          | 2016  | 2015    |
|----------|-------|---------|
| Basic    | 7.53p | (6.28)p |
| Adjusted | 7.53p | 0.30p   |

Basic earnings/(loss) per share is calculated by dividing the earnings/(loss) attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year. The calculation of adjusted earnings per share excludes exceptional costs of £nil (2015: £637,000) and goodwill impairment of £nil (2015: £6,000,000).

Reconciliations of the earnings and weighted average number of shares used in the calculation are set out below:

|   | 2016              |  | 2015          |  |
|---|-------------------|--|---------------|--|
|   | Earnings<br>£'000 | Weighted<br>average<br>number of<br>shares (in<br>thousands) | Loss<br>£'000 | Weighted<br>average<br>number of<br>shares (in<br>thousands) |
| <b>Basic EPS</b>  |                   |  |               |  |
| Earnings/(loss) earnings attributable to owners of the parent | 475               | 6,308  | (6,339)       | 100,937  |
|   | <b>2016</b>       |  | <b>2015</b>   |  |
| Exceptional items comprising the following:                   | £'000             |  | £'000         |  |
| Restructuring costs   | -                 |  | 637           |  |
| Goodwill impairment   | -                 |  | 6,000         |  |
| Deal costs  | -                 |  | -             |  |
|   | -                 |  | 6,637         |  |

The above exceptional items in 2015 consist of goodwill impairment, restructuring costs and compensation for loss of office along with other non-recurring costs.

# Touchstar plc (formerly Belgravium Technologies plc)

## Notes to the Group financial statements for the year ended 31 December 2016 (continued)

### 14 Intangible assets

|  | Group             |                                     |                |
|--|-------------------|-------------------------------------|----------------|
|  | Goodwill<br>£'000 | Development<br>expenditure<br>£'000 | Total<br>£'000 |
| <b>Cost</b>                                    |                   |                                     |                |
| At 1 January 2015                              | 9,904             | 2,048                               | 11,952         |
| Additions                                      | -                 | 424                                 | 424            |
| At 31 December 2015                            | 9,904             | 2,472                               | 12,376         |
| Additions                                      | -                 | 539                                 | 539            |
| <b>At 31 December 2016</b>                     | <b>9,904</b>      | <b>3,011</b>                        | <b>12,915</b>  |
| <b>Accumulated amortisation and impairment</b> |                   |                                     |                |
| At 1 January 2015                              | 80                | 1,332                               | 1,412          |
| Impairment                                     | 6,000             | -                                   | 6,000          |
| Amortisation charge                            | -                 | 320                                 | 320            |
| At 31 December 2015                            | 6,080             | 1,652                               | 7,732          |
| Amortisation charge                            | -                 | 370                                 | 370            |
| <b>At 31 December 2016</b>                     | <b>6,080</b>      | <b>2,022</b>                        | <b>8,102</b>   |
| <b>Net book value</b>                          |                   |                                     |                |
| At 1 January 2015                              | 9,824             | 716                                 | 10,540         |
| At 31 December 2015                            | 3,824             | 820                                 | 4,644          |
| <b>At 31 December 2016</b>                     | <b>3,824</b>      | <b>989</b>                          | <b>4,813</b>   |

Amortisation of £370,000 (2015: £320,000) is included within administration expenses in the income statement.

#### (a) Impairment tests for goodwill

Goodwill arose in relation to the Group's acquisition of Touchstar Technologies Limited, Access Fire & Security Limited and Touchstar ATC Limited (formerly Feedback Data Limited). An impairment test has been performed on the carrying value of goodwill based on value-in-use calculations.

The carrying amount of the goodwill held in regard to Touchstar Technologies Limited was impaired in 2015 by £6,000,000 to its recoverable amount. This loss was included in 'administration expenses' in the income statement in 2015. The impairment charge arose following a review and introduction of a more reasonable view of future growth rates (note 4a).

## **Touchstar plc (formerly Belgravium Technologies plc)**

### **Notes to the Group financial statements for the year ended 31 December 2016 (continued)**

#### **14 Intangible assets (continued)**

##### **(a) Impairment tests for goodwill (continued)**

The value-in-use calculations have used pre-tax cash flow projections based on the financial budgets approved by management covering a five year period. Revenue growth for 2017 is benchmarked against 2016 actuals, with growth up to 2021 forecast. Cash flows beyond the five year period are extrapolated using a growth rate of 2% (2015: 3%), which does not exceed the long-term average growth rate for the business. The other key assumptions used in the value in use calculations are the discount rate, which has been determined at 10% (2015: 11%), and an annualised sales growth of 2% (2015: 3%), over the five year period.

If the budgeted gross margin used in the value-in-use calculation for Touchstar Technologies Limited had been 2% lower than management's estimates at 31 December 2016 (for example, 66% instead of 68%), the Group would have experienced an impairment of goodwill by £344,000.

If the estimated cost of capital used in determining the pre-tax discount rate for Touchstar Technologies Limited had been 1% higher than management's estimates (for example, 12% instead of 11%), there would be no further impairment required.

For Access Fire & Security Limited and Touchstar ATC Limited (formerly Feedback Data Limited), no reasonably possible changes in any assumptions would be expected to give rise to an impairment of the goodwill at 31 December 2016.

##### **(b) Development expenditure**

The calculation of the costs incurred includes the percentage of time spent by certain employees on the development project. The decision whether to capitalise and how to determine the period of economic benefit of a development project requires an assessment of the commercial viability of the project and the prospect of selling the project to new or existing customers.

Management determined budgeted sales growth based on historic performance and its expectations of market development. The discount rates are pre-tax and reflect the specific risks relating to the business.

These calculations did not result in impairment. The following sensitivity analysis was performed:

- Increase the discount rate by 1.5%; and
- Reduce the growth rate by 1% beyond the first five years.

In each of these scenarios no impairment was identified.

## Touchstar plc (formerly Belgravium Technologies plc)

### Notes to the Group financial statements for the year ended 31 December 2016 (continued)

#### 15 Investments

|  | Shares in subsidiary undertakings<br>£'000 |
|--|--|
| <b>Cost</b>                                    |  |
| At 1 January 2016 and 31 December 2016         | <b>19,798</b>                              |
| <b>Accumulated amortisation and impairment</b> |  |
| At 1 January 2016                              | 10,000                                     |
| Impairment                                     | 2,500                                      |
| <b>At 31 December 2016</b>                     | <b>12,500</b>                              |
| <b>Net book value</b>                          |  |
| <b>31 December 2016</b>                        | <b>7,298</b>                               |
| 31 December 2015                               | 9,798                                      |

The carrying amount of the investment held in regard to Touchstar Technologies Limited has been impaired by £2,500,000 to its recoverable amount. This loss has been included in 'administrative expenses' in the income statement. The impairment charge arose following a review and introduction of a more reasonable view of future growth rates (note 4a).

The Parent Company has the following wholly owned subsidiary undertakings, incorporated and operating in Great Britain, which are registered in England and Wales:

| Name of company and registered address  | Nature of business                | Description of shares held                                   |
|---|-----------------------------------|--|
| <b>Touchstar Technologies Limited</b><br>7 Commerce Way, Trafford Park,<br>Manchester, M17 1HW                        | Real time electronic data systems | 100,000 ordinary £1 shares                                   |
| <b>Touchstar ATC Limited (formerly Feedback Data Limited)</b><br>Maple Barn, Beeches Farm Road, Uckfield,<br>TN22 5QD | Real time electronic data systems | 140,000 ordinary £1 shares                                   |
| <b>Belgravium Limited</b><br>Belgravium House, Campus Road, Listerhills<br>Science Park, Bradford, BD7 1HR            | Dormant                           | 6,000,000 ordinary £1 shares                                 |
| <b>Novo IVC Limited</b><br>7 Clarendon Place, Leamington Spa, CV32<br>5QL   | Dormant                           | 600,000 ordinary £1 shares<br>1,187,500 preference £1 shares |
| <b>Access Fire &amp; Security Limited</b><br>Maple Barn, Beeches Farm Road, Uckfield,<br>TN22 5QD                     | Dormant                           | 4 ordinary £1 shares   |

## Touchstar plc (formerly Belgravium Technologies plc)

### Notes to the Group financial statements for the year ended 31 December 2016 (continued)

#### 16 Property, plant and equipment

|                                 | Group                  |  |              | Company  |
|---------------------------------|------------------------|--|--------------|--|
|                                 | Plant and<br>machinery | Fixtures,<br>fittings,<br>tools and<br>equipment | Total        | Fixtures,<br>fittings,<br>tools and<br>equipment |
|                                 | £'000                  | £'000  | £'000        | £'000  |
| <b>Cost</b>                     |                        |  |              |  |
| At 1 January 2015               | 1,505                  | 1,040  | 2,545        | 466  |
| Additions                       | 47                     | 37   | 84           | -  |
| Disposals                       | (2)                    | -  | (2)          | -  |
| At 31 December 2015             | 1,550                  | 1,077  | 2,627        | 466  |
| Additions                       | 22                     | 132  | 154          | -  |
| Disposals                       | (289)                  | (154)  | (443)        | -  |
| <b>At 31 December 2016</b>      | <b>1,283</b>           | <b>1,055</b>                                     | <b>2,338</b> | <b>466</b>                                       |
| <b>Accumulated depreciation</b> |                        |  |              |  |
| At 1 January 2015               | 1,355                  | 973  | 2,328        | 442  |
| Charge for the year             | 75                     | 42   | 117          | 24   |
| At 31 December 2015             | 1,430                  | 1,015  | 2,445        | 466  |
| Charge for the year             | 79                     | 21   | 100          | -  |
| Disposals                       | (289)                  | (154)  | (443)        | -  |
| <b>At 31 December 2016</b>      | <b>1,220</b>           | <b>882</b>                                       | <b>2,102</b> | <b>466</b>                                       |
| <b>Net book value</b>           |                        |  |              |  |
| At 1 January 2015               | 150                    | 67   | 217          | 24   |
| At 31 December 2015             | 120                    | 62   | 182          | -  |
| <b>At 31 December 2016</b>      | <b>63</b>              | <b>173</b>                                       | <b>236</b>   | <b>-</b>   |

Depreciation expense of £100,000 (2015: £117,000) has been split between administration expenses and cost of sales.

## Touchstar plc (formerly Belgravium Technologies plc)

### Notes to the Group financial statements for the year ended 31 December 2016 (continued)

#### 17 (a) Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

|  | Group         |               | Company       |               |
|--|---------------|---------------|---------------|---------------|
|  | 2016<br>£'000 | 2015<br>£'000 | 2016<br>£'000 | 2015<br>£'000 |
| <b>Loans and receivables</b>   |               |               |               |               |
| Trade and other receivables  | 1,805         | 2,108         | –             | –             |
| Cash and cash equivalents  | 5             | 242           | –             | –             |
| <b>Total</b>   | <b>1,810</b>  | <b>2,350</b>  | <b>–</b>      | <b>–</b>      |
|  | 2016<br>£'000 | 2015<br>£'000 | 2016<br>£'000 | 2015<br>£'000 |
| <b>Other financial liabilities</b>                                   |               |               |               |               |
| Trade and other payables (excluding tax and social security payable) | 2,066         | 3,060         | 137           | 82            |
| Borrowings   | 334           | 8             | 2,535         | 2,940         |
| <b>Total</b>   | <b>2,400</b>  | <b>3,068</b>  | <b>2,672</b>  | <b>3,022</b>  |

#### 17 (b) Credit quality of financial assets

Credit risk is managed on a Group basis and arises from cash and cash equivalents and credit exposures to customers. For banks, only independently rated parties with a minimum rating of 'A' are acceptable. The Group has dealt with one (2015: one) bank during the year. For customers the directors consider that, based on the historical information about default rates and the current strength of customer relationships, a number of which are recurring long-term customers, the credit quality of financial assets that are neither past due nor impaired is good.

None of the financial assets that are fully performing have been renegotiated in the last twelve months.

# Touchstar plc (formerly Belgravium Technologies plc)

## Notes to the Group financial statements for the year ended 31 December 2016 (continued)

### 18 Deferred tax

#### 18.1 Deferred tax asset

|                              | Group |       | Company |       |
|------------------------------|-------|-------|---------|-------|
|                              | 2016  | 2015  | 2016    | 2015  |
|                              | £'000 | £'000 | £'000   | £'000 |
| At 1 January and 31 December | 67    | 67    | 7       | 7     |

There has been no movement in deferred tax assets during the year.

|                              | Group  |       | Company  |       |
|------------------------------|--|-------|--|-------|
|                              | Short term timing differences and accelerated capital allowances | Total | Short term Timing differences and accelerated capital allowances | Total |
|                              | £'000  | £'000 | £'000  | £'000 |
| At 1 January and 31 December | 67   | 67    | 7  | 7     |

The deferred tax asset for the Group relates to unused tax losses of £1,137,031 (2015: £1,137,031). Due to the uncertainty of future profits, £607,868 (2015: £627,711) has not been recognised within the calculation of deferred tax.

The deferred tax asset for the Company relates to unused capital losses.

#### 18.2 Deferred tax liability

There has been no movement in deferred tax liability during the year.

|                              | 2016  | 2015  |
|------------------------------|-------|-------|
|                              | £'000 | £'000 |
| At 1 January and 31 December | 75    | 75    |

#### Deferred tax (liability)/asset analysis:

|                                   | 2016  | 2015  |
|-----------------------------------|-------|-------|
|                                   | £'000 | £'000 |
| Amount in respect of fixed assets | (75)  | (75)  |
| Amount in respect of losses       | 67    | 67    |



## Touchstar plc (formerly Belgravium Technologies plc)

### Notes to the Group financial statements for the year ended 31 December 2016 (continued)

#### 19 Inventories

|                                     | 2016         | 2015         |
|-------------------------------------|--------------|--------------|
|                                     | £'000        | £'000        |
| Raw materials and consumables       | 896          | 1,056        |
| Finished goods and goods for resale | 363          | 434          |
|                                     | <b>1,259</b> | <b>1,490</b> |

The cost of inventories recognised as an expense amounted to £2,270,170 included within cost of sales (2015: £3,087,000). There were no reversals of previous inventory write-downs in either year. No finished goods are held at fair value less cost to sell (2015: £nil).

#### 20 Trade and other receivables

|   | Group        |              | Company    |            |
|---|--------------|--------------|------------|------------|
|   | 2016         | 2015         | 2016       | 2015       |
|   | £'000        | £'000        | £'000      | £'000      |
| Trade receivables                       | 1,805        | 2,106        | -          | -          |
| Other receivables                       | -            | 2            | -          | -          |
| Amounts owed by subsidiary undertakings | -            | -            | 217        | 217        |
| Prepayments and accrued income          | 221          | 259          | 7          | 10         |
|   | <b>2,026</b> | <b>2,367</b> | <b>224</b> | <b>227</b> |

The amounts owed by subsidiary undertakings are interest free, unsecured and repayable on demand. The fair value of trade and other receivables is the same as the book value.

Total trade receivables are stated after provision for impairment of £57,000 relating to one customer.

Trade receivables that are less than three months past due are not considered impaired. As of 31 December 2016, trade receivables of £57,000 (2015 : £266,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

|                         | 2016  | 2015  |
|-------------------------|-------|-------|
|                         | £'000 | £'000 |
| Up to 3 months past due | 28    | 141   |
| Over 3 months past due  | 29    | 125   |

## Touchstar plc (formerly Belgravium Technologies plc)

### Notes to the Group financial statements for the year ended 31 December 2016 (continued)

#### 20 Trade and other receivables (continued)

As of 31 December 2016, £nil trade receivables (2015: £nil) were impaired and provided for (see also note 17 (b)).

The carrying amount of the trade and other receivables denominated in the following currencies is:

|                    | Group |       | Company |       |
|--------------------|-------|-------|---------|-------|
|                    | 2016  | 2015  | 2016    | 2015  |
|                    | £'000 | £'000 | £'000   | £'000 |
| Sterling           | 1,908 | 2,147 | 224     | 227   |
| Euros              | 118   | 172   | -       | -     |
| Australian dollars | -     | 48    | -       | -     |
|                    | 2,026 | 2,367 | 224     | 227   |

The other classes within trade and other receivables do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

#### 21 Cash and cash equivalents

|  | Group   |          | Company |         |
|--|---------|----------|---------|---------|
|  |         | Restated |         |         |
|  | 2016    | 2015     | 2016    | 2015    |
|  | £'000   | £'000    | £'000   | £'000   |
| Cash at bank and in hand                                   | 2,206   | 3,174    | -       | -       |
| Less : bank overdraft (included within borrowings note 23) | (2,535) | (2,932)  | (2,535) | (2,932) |
|  | (329)   | 242      | (2,535) | (2,932) |

## Touchstar plc (formerly Belgravium Technologies plc)

### Notes to the Group financial statements for the year ended 31 December 2016 (continued)

#### 22 Trade and other payables

|   | Group |       | Company |       |
|---|-------|-------|---------|-------|
|   | 2016  | 2015  | 2016    | 2015  |
|   | £'000 | £'000 | £'000   | £'000 |
| Trade payables                          | 690   | 669   | -       | -     |
| Other taxes and social security         | 229   | 454   | 59      | 79    |
| Other payables                          | 15    | 17    | -       | 17    |
| Amounts owed to subsidiary undertakings | -     | -     | 99      | -     |
| Deferred income                         | 1,166 | 1,959 | -       | -     |
| Customer deposits                       | 2     | 72    | -       | -     |
| Accruals                                | 193   | 343   | 38      | 65    |
|   | 2,295 | 3,514 | 196     | 161   |

Deferred income relates to maintenance and software license fee income. A further £149,000 (2015: £252,000) is due in more than one year and is presented as such on the Statement of financial position.

Amounts owed to subsidiary undertakings are interest free, unsecured and repayable on demand.

#### 23 Borrowings

|                                   | Group |          | Company |       |
|-----------------------------------|-------|----------|---------|-------|
|                                   |       | Restated |         |       |
|                                   | 2016  | 2015     | 2016    | 2015  |
|                                   | £'000 | £'000    | £'000   | £'000 |
| Bank overdraft                    | 2,535 | 2,932    | 2,535   | 2,932 |
| Current finance lease liabilities | -     | 8        | -       | 8     |
| Total borrowings                  | 2,535 | 2,940    | 2,535   | 2,940 |

The carrying amounts of borrowings approximate to their fair value due to their short-term maturity, meaning that the impact of discounting is not significant. The carrying amounts of the Group's borrowings are denominated solely in sterling.

## Touchstar plc (formerly Belgravium Technologies plc)

### Notes to the Group financial statements for the year ended 31 December 2016 (continued)

#### 23 Borrowings (continued)

The Group bank overdraft facility is secured by a bond and floating charge over the entire assets of the Group. At 31 December 2016, the Group had total committed undrawn facilities of £980,000 (2015: £480,000).

The maturity analysis of the finance leases is as follows:

|                     | Group |       | Company |       |
|---------------------|-------|-------|---------|-------|
|                     | 2016  | 2015  | 2016    | 2015  |
|                     | £'000 | £'000 | £'000   | £'000 |
| In one year or less | 8     | 8     | 8       | 8     |

#### 24 Share capital

|  | Group |       | Company |       |
|--|-------|-------|---------|-------|
|  | 2016  | 2015  | 2016    | 2015  |
|  | £'000 | £'000 | £'000   | £'000 |
| Allotted, issued and fully paid 6,308,750 (2015: 100,936,547) ordinary shares of 5p each | 315   | 5,047 | 315     | 5,047 |

On 8 July 2016, the company consolidated the Company shares under a Capital reduction scheme, which also resulted in reducing the share premium and capital redemption reserve to nil. The number of shares now in issue is noted as per above.

#### 25 Capital reorganisation and reduction

On 24 May 2016, the company issued 3,453 ordinary shares at £0.05 each to bring the total number of shares in issue to 100,940,000; at which time the company consolidated every 4,000 existing ordinary shares of £0.05 each into one new consolidated ordinary share of £200.00 each. A subdivision of each new consolidated ordinary share was undertaken; the resultant split being 3,750 deferred shares of £0.05 each and 250 ordinary shares of £0.05 each. The rights to the new ordinary shares are identical in all respects to those of the original ordinary shares. These transactions did not have any impact on retained earnings.

On 8 July 2016 under a Capital Reduction Scheme, the company, by Special Resolution, reduced both its share premium account and capital redemption reserve along with a cancellation of the deferred shares. This resulted in an increase in retained earnings amounting to £9,764,000. This element of the retained earnings balance is not available for distribution by way of dividend to shareholders until 31 December 2018.

This process was confirmed by an Order of the Court of Session Scotland on 8 July 2016 and certified on 12 July 2016 by The Registrar of Companies for Scotland.

## Touchstar plc (formerly Belgravium Technologies plc)

### 25 Capital reorganisation and reduction (continued)

| Number of shares in issue |                 |                    |                    |                                 |   |   |                           |  |
|---------------------------|-----------------|--------------------|--------------------|---------------------------------|---|---|---------------------------|--|
| Ordinary shares           | Deferred shares | Share Capital<br>£ | Share Premium<br>£ | Capital redemption reserve<br>£ | Distributable reserves – P&L reserve<br>£ | Non-distributable reserves – P&L reserve<br>£ | Total equity balance<br>£ |  |
| 100,936,547               | -               | 5,046,827          | 2,932,000          | 2,100,000                       | (4,761,000)                               | -   | 5,317,827                 |  |
| 3,453                     | -               | 173                | -                  | -                               | -   | -   | -                         |  |
| 100,940,000               | -               | 5,047,000          | 2,932,000          | 2,100,000                       | (4,761,000)                               | -   | 5,318,000                 |  |
| 25,235                    | -               | 5,047,000          | 2,932,000          | 2,100,000                       | (4,761,000)                               | -   | 5,318,000                 |  |
|                           |                 |                    |                    |                                 |   |   |                           |  |
| 6,308,750                 | 94,631,250      | 5,047,000          | 2,932,000          | 2,100,000                       | (4,761,000)                               | -   | 5,318,000                 |  |
| -                         | -               | -                  | (2,932,000)        | (2,100,000)                     | -   | 5,032,000                                     | -                         |  |
| -                         | (94,631,250)    | (4,731,563)        | -                  | -                               | -   | 4,731,563                                     | -                         |  |
| -                         | -               | -                  | -                  | -                               | (37,000)                                  | -   | (37,000)                  |  |
| -                         | -               | -                  | -                  | -                               | 475,000                                   | -   | 475,000                   |  |
|                           |                 |                    |                    |                                 |   |   |                           |  |
| 6,308,750                 | -               | 315,438            | -                  | -                               | (4,323,000)                               | 9,763,563                                     | 5,756,000                 |  |

|   |  |
|---|--|
| Balance as at 1 January 2016  |  |
| Issue of shares on 24 May 2016  |  |
|   |  |
| Consolidation of shares (4,000 x 5p shares = 1 x £200 share)                            |  |
| Sub-division of shares (1 x £200 share = 3,750 deferred shares and 250 ordinary shares) |  |
| Capital reduction   |  |
| Cancellation of deferred shares   |  |
| Costs of capital reduction  |  |
| Profit for the year   |  |
| Balance as at 31 December 2016  |  |

## Touchstar plc (formerly Belgravium Technologies plc)

### 26 Operating lease commitments – minimum lease payments

The Group's aggregate commitment under non-cancellable operating leases is as follows:

|   | 2016                           |                | 2015                           |                |
|---|--------------------------------|----------------|--------------------------------|----------------|
|   | Land and<br>buildings<br>£'000 | Other<br>£'000 | Land and<br>buildings<br>£'000 | Other<br>£'000 |
| Leases expiring within one year                                     | 127                            | 86             | 317                            | 8              |
| Leases expiring later than one year<br>but no later than five years | 252                            | 72             | 362                            | 219            |
|   | <b>379</b>                     | <b>158</b>     | <b>679</b>                     | <b>227</b>     |

The Group leases various offices under non-cancellable operating lease agreements. The leases have various terms, escalation clauses and renewal rights.

### 27 Cash flow statement

#### (a) Group analysis of changes in net funds

|                                    | At 1 January<br>2016<br>£'000 | Net cash flows<br>£'000 | Non cash<br>movements<br>£'000 | At 31<br>December<br>2016<br>£'000 |
|------------------------------------|-------------------------------|-------------------------|--------------------------------|------------------------------------|
| Cash and cash equivalents          | 242                           | (571)                   | -                              | (329)                              |
| Finance leases due within one year | (8)                           | 8                       | -                              | -                                  |
| <b>Total</b>                       | <b>234</b>                    | <b>(563)</b>            | <b>-</b>                       | <b>(329)</b>                       |

#### (b) Company analysis of changes in net funds

|                                    | At 1 January<br>2016<br>£'000 | Net cash flows<br>£'000 | Non cash<br>movements<br>£'000 | At 31<br>December<br>2016<br>£'000 |
|------------------------------------|-------------------------------|-------------------------|--------------------------------|------------------------------------|
| Cash and cash equivalents          | (2,932)                       | 397                     | -                              | (2,535)                            |
| Finance leases due within one year | (8)                           | 8                       | -                              | -                                  |
| <b>Total</b>                       | <b>(2,940)</b>                | <b>405</b>              | <b>-</b>                       | <b>(2,535)</b>                     |

## **Touchstar plc (formerly Belgravium Technologies plc)**

### **Notes to the Group financial statements for the year ended 31 December 2016 (continued)**

#### **28 Capital commitments**

At the year end, the Group and Company had £nil capital commitments (2015: £nil).

#### **29 Related party transactions**

There were no related party transactions other than those disclosed in notes 9 and 10 in the current or prior year, for the Group or Company.

## **Touchstar plc (formerly Belgravium Technologies plc)**

# **Group Information**

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